

# CALIFORNIA EMPLOYER

Fourth Quarter 2004

## Time to prepare your W-2 tax and wage statements ———

As an employer, you are required to prepare a federal *Wage and Tax Statement* (Form W-2) for each of your employees.

For 2004, you must provide your employees with a Form W-2 by January 31, 2005.



The W-2 provides important information to employees, the Social Security Administration, the Internal Revenue Service, and state and local governments. Boxes 15 through 20 of the Form W-2 are used to report state and local income tax information.

You must include California Personal Income Tax (PIT) wages, and the PIT and State Disability Insurance (SDI)

withholdings in the following Form W-2 boxes:

- **Box 15** (Employer state ID number):  
Enter your EDD employer account number.
- **Box 16** (State wages, tips, etc.):  
Enter California PIT wages.
- **Box 17** (State income tax):  
Enter California PIT withheld.
- **Box 19** (Local income tax; if Box 19 has local taxes, use "Box 14-Other"):  
Enter the abbreviation "CASDI" and SDI withheld. (Note: If the wages were *not* subject for SDI, show "CASDI 0" (zero). If your employees are covered under an authorized Voluntary DI Plan, enter "VPDI" and the VPDI amount actually withheld.)

For more information on Form W-2 reporting requirements or completion instructions, refer to IRS publications *Employer's Tax Guide* (Publication 15, Circular E) and *2004 Instructions for Forms W-2 and W-3*, respectively. These publications can be obtained online at [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-829-3676.

For more information on completing the "State" information on Form W-2, please refer to your *California Employer's Guide* (DE 44) or call us at 1-888-745-3886.

If your employee performs services in more than one state, contact the other state(s) for guidance on how to complete the Form W-2 for that state.

## New Internet filing options offer convenience, savings and security ———

You can now do your tax filing online, thus eliminating the need to file paper reports and reducing your mailing costs.

We now offer three new filing applications that allow you to file your EDD reports online via the Internet at your convenience:



- **iFile** – for submitting your *Quarterly Wage and Withholding Reports* (DE 6)

- **iNER** – for submitting your *Report of New Employee(s)* (DE 34)
- **iICR** – for submitting your *Report of Independent Contractor(s)* (DE 542)

These new filing applications offer a number of advantages, including:

- A quick, easy, and secure way to submit your reports.
- A confirmation number with your submission date, verifying your report was filed.

- A history of the Internet filed reports you have submitted in the last 15 months.

If you are interested in filing your DE 6, DE 34, or DE 542 on the Internet, please visit our Web site at <http://eddservices.edd.ca.gov>. If you have questions regarding online filing of these forms, please call us at 1-888-745-3886, or e-mail us at [ecom@edd.ca.gov](mailto:ecom@edd.ca.gov).

## Annual interest rate will be 4 percent ———

For the period January 1 through June 30, 2005, the annual interest rate will be 4 percent (0.04), compounded daily.



The daily interest factor will be .000110.

Interest is charged on all delinquent taxes, interest, and certain penalties.

If you have any questions about the annual interest rate, please call us at 1-888-745-3886.

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## Taxable values of meals and lodging for 2005

Meals or lodging that you provide to your employees always should be treated as wages for Unemployment



Insurance, Employment Training Tax, and State Disability Insurance.

Meals are subject to California Personal Income Tax (PIT) withholding *unless* the meal is furnished to your employees on your business premises and it is for your convenience. Lodging also is subject to PIT withholding *unless* it is furnished for your convenience and the employee is required to accept lodging on your business premises as a condition of employment.

Each year, the values of meals and lodging are adjusted based on the cost-of-living indexes. Please use the values shown at right for 2005.

EMPLOYEES*		MARITIME EMPLOYEES	
<u>Meals</u>	<u>Value</u>	<u>Licensed Personnel</u>	<u>Value</u>
- Breakfast.....	\$ 1.95	- Meals.....	\$ 9.00
- Lunch.....	2.75	- Quarters.....	6.45
- Dinner.....	4.30	- Total per day.....	\$15.45
- 3 meals per day.....	\$ 9.00		
		<u>Unlicensed Personnel</u>	<u>Value</u>
- A meal not identified as either breakfast, lunch, or dinner.....	\$ 3.10	- Meals.....	\$ 9.00
		- Quarters.....	4.40
		- Total per day.....	\$13.40
		<u>Fishermen</u>	
<u>Lodging Value</u>		- Lodging value is \$31.05 per week and \$4.45 per day for periods of less than a week.	
- Value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$957.00 per month or less than \$31.05 per week.			
* Maritime employees' values of meals and lodging are different than all other employees and are shown in the above table on the right. Lodging values for maritime employees apply only when the facilities meet specific minimum standards.			

These values do not apply where higher values of meals and lodging are stipulated in a union agreement or contract of hire,

or are required for compliance with minimum wage laws. If you have any questions, call us at 1-888-745-3886.

## Should your employee file a DE 4 or W-4 form?

An Internal Revenue Service (IRS) *Employee's Withholding Allowance Certificate* (Form W-4) is normally used for California PIT withholding. However, if an employee wants to claim a different marital status and/or a different number of allowances than claimed for federal withholding purposes, the employee should file an *Employee's Withholding Allowance Certificate* (DE 4).

Use of the DE 4 is optional. However, if your employee provides you with a DE 4,

you must use it to determine his/her California PIT withholding.

If your employee wants to claim an exemption from federal and California PIT withholding, the employee should claim the exemption on Form W-4.

Since the exempt status expires on February 15 each year, each employee must complete a new Form W-4 by February 15 to remain exempt. If an employee does not sign a new

Form W-4, you are required to change the employee's California withholding status to "single" with zero (0) withholding allowances and begin withholding California PIT.

For more information or to request an *Employer's Obligations for Form W-4 or DE 4* (DE 71), please visit our Web site at [www.edd.ca.gov/taxrep/taxform.htm](http://www.edd.ca.gov/taxrep/taxform.htm) #Publications, access our Fax-on-Demand at 1-877-547-4503, or contact us at 1-888-745-3886.

## Watch the mail for your 2005 tax rate information

You will receive your *Notice of Contribution Rates and Statement of Unemployment Insurance (UI) Reserve Account* (DE 2088) for calendar year 2005 by December 31, 2004. This notice includes your 2005 tax rates and your reserve account activity.



Please carefully review the items on your notice. For an explanation of the notice and your protest rights, refer to the enclosed *Explanation of the Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088C) that is provided with the notice.

The UI taxable wage limit for 2005 is \$7,000 per employee, per year.

The State Disability Insurance taxable wage limit for 2005 is \$79,418.

The DE 2088 notice will state if you are subject to Employment Training Tax (ETT). The 2005 ETT rate will remain at 0.1 percent (.001). The ETT taxable wage limit for 2005 is \$7,000 per employee, per year.

For more information on your rates, please call us at (916) 653-7795.

To expedite your call, please have your DE 2088 and your employer account number available.

### Change of P.O. box for DE 88 and tax deposits

The P.O. boxes in Los Angeles and San Diego for DE 88 and payroll tax deposits have been eliminated. Effective immediately, please send all DE 88s and checks to this address:

EDD  
P.O. Box 826276  
Sacramento, CA 94230-6276

## Tips for a trouble-free annual reconciliation

To help you avoid time-consuming and costly mistakes, here are some helpful tips for annual reconciliation:

- Double check the amounts reported on your:
  - *Quarterly Wage and Withholding Report* (DE 6)
  - *Annual Reconciliation Statement* (DE 7)
  - *IRS Employer's Annual Federal Unemployment (FUTA) Tax Return* (Form 940/940EZ)
  - *Wage and Tax Statement* (Forms W-2)
- Use the information in the table at right to reconcile your annual "Total Subject Wages," "UI Taxable Wages," "PIT Wages," and "PIT Withheld."
- Complete a *Payroll Tax Deposit* (DE 88) coupon for any taxes owed. Be sure to complete the payroll date, payment type, and payment quarter. Failure to complete these items may result in your payment being posted to the wrong quarter and/or year. Verify the due dates for 2004 deposits and when reconciling

the DE 7, verify that the deposits made for year 2003 and 2005 are *not* included.

For more information on Total Subject Wages and PIT Wages, request the *Information Sheet: PIT Wages Reported*

on the *Quarterly Wage and Withholding Report* (DE 231PIT) from our Web site at [www.edd.ca.gov/taxrep/taxform.htm](http://www.edd.ca.gov/taxrep/taxform.htm).

For information on annual reconciliation or underpayments, or to request a *Tax and Wage Adjustments Form* (DE 678), call us at 1-888-745-3886.

ANNUAL RECONCILIATION	All Items Within Each Box Below Should Agree*
<ul style="list-style-type: none"> <li>■ Total Subject Wages</li> </ul>	<ul style="list-style-type: none"> <li>■ Earnings/payroll records</li> <li>■ DE 6s (Item M) - all 4 quarters</li> <li>■ DE 7 (Item C)</li> </ul>
<ul style="list-style-type: none"> <li>■ UI Taxable Wages <i>Note: DE 7 "UI Subject Wages" may be different than Form 940/940EZ "Total Taxable Wages" if you have exempt employees.</i></li> </ul>	<ul style="list-style-type: none"> <li>■ DE 7 (Item D2)</li> <li>■ IRS Form 940/940EZ (Line 5)</li> </ul>
<ul style="list-style-type: none"> <li>■ PIT Wages</li> </ul>	<ul style="list-style-type: none"> <li>■ Earnings/payroll records</li> <li>■ DE 6 (Item N) - all 4 quarters</li> <li>■ Forms W-2 (Box 16)</li> </ul>
<ul style="list-style-type: none"> <li>■ PIT Withheld</li> </ul>	<ul style="list-style-type: none"> <li>■ Earnings/payroll records</li> <li>■ DE 6 (Item O) - all 4 quarters</li> <li>■ DE 7 (Item G)</li> <li>■ Forms W-2 (Box 17) plus Forms 1099R (Box 10)</li> </ul>
<p>* If amounts do not agree, find the error and correct all forms with incorrect amounts. If an error was made on a previously filed DE 6, complete a DE 678 to correct the quarter with the error.</p>	

## Do you need help getting your tax problem resolved?

Are you experiencing a tax problem with the Internal Revenue Service or a California tax agency? Have you written or called the agency, but are still unable to resolve the problem?



If you have tried working through the agency's normal problem resolution channels and you need help unraveling your California or federal tax problem, the agency's taxpayer advocate may be able to help you.

It is the role of the taxpayer advocate to help resolve a tax problem when normal channels fail. The taxpayer advocate can help when there is a breakdown in tax processing or communication. The advocate will treat your case with independence, impartiality, and confidentiality, while ensuring that your rights are protected.

Following is the contact information for the taxpayer advocate for each agency:

Type of Tax Involved:	Agency to Contact:
<ul style="list-style-type: none"> <li>■ Sales and Use Taxes</li> <li>■ Property Taxes</li> <li>■ Special Taxes and Fees</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Board of Equalization</b> Taxpayers' Rights Advocate Office P.O. Box 942879, MIC 70 Sacramento, CA 94279-0070 Web site: <a href="http://www.boe.ca.gov/tra/tra./htm">www.boe.ca.gov/tra/tra./htm</a> Phone: 1-888-324-2798</li> </ul>
<ul style="list-style-type: none"> <li>■ Unemployment Insurance</li> <li>■ Employment Training Tax</li> <li>■ State Disability Insurance</li> <li>■ Personal Income Tax Withholding</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Employment Development Dept.</b> Taxpayer Advocate Office P.O. Box 826880, MIC 93 Sacramento, CA 94280-0001 Web site: <a href="http://www.edd.ca.gov/taxrep/taxetpro.htm">www.edd.ca.gov/taxrep/taxetpro.htm</a> Phone: (916) 654-8957</li> </ul>
<ul style="list-style-type: none"> <li>■ Personal Income Tax</li> <li>■ Bank and Corporation Franchise Tax</li> <li>■ Corporation Income Tax</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Franchise Tax Board (FTB)</b> Taxpayer Advocate Bureau P.O. Box 157 Rancho Cordova, CA 95741-0157 Web site: <a href="http://www.ftb.ca.gov/aboutFTB/taxpayer_advocate/index.html">www.ftb.ca.gov/aboutFTB/taxpayer_advocate/index.html</a> Fax: (916) 845-6614</li> </ul>
<ul style="list-style-type: none"> <li>■ Social Security and Medicare Tax</li> <li>■ Federal Unemployment (FUTA) Tax</li> <li>■ Individual Income Tax</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Internal Revenue Service (IRS)</b> To find the appropriate taxpayer advocate, see the IRS Web site or call: Web site: <a href="http://www.irs.gov/advocate">www.irs.gov/advocate</a> Phone: 1-877-777-4778 (toll-free)</li> </ul>

## Make a note of these legal holidays for 2005

To ensure the timeliness of your 2005 tax payments and reports, please refer to the chart below for the date each legal holiday will be observed in the new year. If a payment or report due date falls on a

Saturday, Sunday, or legal holiday, the due date is usually extended to the next business day. For specific payroll tax deposit or report requirements, refer to the *California Employer's Guide* (DE 44)

and the *EFT Information Guide* (DE 27). For more information or to obtain a guide, visit our Web site at [www.edd.ca.gov/taxrep/taxform.htm#publications](http://www.edd.ca.gov/taxrep/taxform.htm#publications) or call us at 1-888-745-3886.

LEGAL HOLIDAY	DAY HOLIDAY OBSERVED	NEXT BUSINESS DAY FOR DEPOSITS OR REPORTS IN 2005
New Year's Day 2005	Friday, December 31, 2004*	January 3, 2005 (Monday)
Martin Luther King Jr. Day	Monday, January 17	January 18 (Tuesday)
Inauguration Day	Thursday, January 20*	January 21 (Friday)
Lincoln's Birthday	Saturday, February 12	February 14 (Monday)
Presidents' Day	Monday, February 21	February 22 (Tuesday)
Good Friday	Friday, March 25*	March 28 (Monday)
Cesar Chavez Day	Thursday, March 31	April 1 (Friday)
Memorial Day	Monday, May 30	May 31 (Tuesday)
Independence Day	Monday, July 4	July 5 (Tuesday)
Labor Day	Monday, September 5	September 6 (Tuesday)
California Admission Day	Friday, September 9*	September 12 (Monday)
Columbus Day	Monday, October 10	October 11 (Tuesday)
Veterans Day	Friday, November 11	November 14 (Monday)
Thanksgiving Day & day after	Thursday & Friday, November 24 & 25	November 28 (Monday)
Christmas Day	Monday, December 26	December 27 (Tuesday)
New Year's Day 2006	Monday, January 2, 2006	January 3, 2006 (Tuesday)

\*EDD offices are open for business on this day.

## Are you a holder of unclaimed property?

Did you know that if you are a "holder of unclaimed property," you are required to report or deliver that property to the California State Controller's Office annually?



Unclaimed property can be any financial asset that has been "abandoned" by the owner because there has been no customer contact for a certain period of time. The most common types of unclaimed property are:

- Bank accounts and safe deposit box contents
- Stocks, mutual funds, bonds, and dividends
- Uncashed cashier's checks or money orders
- Uncashed wages to an employee
- Uncashed checks to a supplier

Many businesses are unaware of the state requirements and can be subject to 12 percent per annum interest charges on

delinquent unclaimed property that is not reported or delivered to the State Controller's Office within the prescribed time limits. For more information on these reporting requirements, please visit the State Controller's Web site at [www.sco.ca.gov](http://www.sco.ca.gov) or call (916) 323-2845.

## "Tool kit" offers competitive workforce strategies

Are you interested in the most effective ways to retain your employees while keeping your company competitive? Then take a look at EDD's *Employer Tool Kit* publication, which is designed to assist small business employers to address skilled labor shortages and profit from the valuable experience offered by older workers. Developed by EDD's Senior Worker Advocate Office in partnership with employer community representatives, the tool kit is a compilation of best business practices from companies across the nation that are successfully addressing the skilled labor shortage and profiting by utilizing the growing older workforce.

The *Employer Tool Kit* can be downloaded from our Web site at [www.edd.ca.gov/emptoolkit.pdf](http://www.edd.ca.gov/emptoolkit.pdf) or requested by calling (916) 654-6502.

### New hours for Taxpayer Assistance Center

Effective January 2, 2005, our taxpayer assistance staff will be available Monday through Friday from 8 a.m. to 5 p.m., Pacific Time. Tax information, forms, and publications are available 24 hours a day on our Web site ([www.edd.ca.gov](http://www.edd.ca.gov)) and Fax-on-Demand system (1-877-547-4503).

### CALIFORNIA EMPLOYER



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The EDD is a recipient of federal and state funds, is an equal opportunity employer/program, and is in compliance with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. Special requests for alternate formats need to be made by calling (916) 654-9029.

Employment Development Department  
P.O. Box 826880  
Sacramento, CA 94280-0001

Produced by the EDD Communications Office, MIC 85  
Loree Levy, Acting Deputy Director  
Kevin M. Callori, Editor

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